



Remarks For  
The Hon. Steven C. Preston  
Administrator  
U.S. Small Business Administration  
Delivered At The  
NATIONAL HUBZone SMALL BUSINESS CONFERENCE  
New Orleans, LA  
December 12, 2006

Thanks for that warm introduction, Tracy, and thank you all for having me today. I am sure you all know what a great friend of the small business community Tracy is through the work she does as director of the Army's Office of Small Business Programs. She and I had a chance to spend time together at the U.S. Army Corps of Engineers Small Business Event in St. Louis last month, and I am thankful for her commitment to small businesses and the leadership she has shown enabling them to compete for government contracts.

My thanks also to all of you at the U.S. Army Office of Small Business Programs for graciously agreeing to host this year's conference, and for being a strong and willing Small Business Administration partner.

Your work in communities impacted by the Base Realignment and Closure and your efforts to increase contracting opportunities for companies in HUBZone areas affected by Hurricane Katrina confirm your commitment to driving much needed business revenues to the neediest areas of our country.

I am honored to be on the agenda with Mayor Nagin, whom you heard from this morning, Administrator Lurita Doan of the U.S. General Services Administration, from whom you will hear later, and Mr. Ron Newlan, chairman of the HUBZone Contractors National Council. They are joined by many other distinguished speakers and panelists at this conference.

This event is particularly meaningful to me because, as many of you know, I am committed to enhancing SBA's role in expanding the ownership society that President Bush speaks so passionately about, specifically by fostering entrepreneurship in our nation's most underserved markets. The SBA opens the door to upward mobility to millions of Americans through access to capital, training, counseling, access to federal contracts, and advocacy. When small businesses form and grow they create a virtuous cycle, creating much-needed jobs, economic vitality, and a local marketplace which leads to other small businesses taking root, and so on.

Being in New Orleans is particularly meaningful because of the work we do at the SBA. As many of you know, we provide loans to disaster victims, both small businesses and homeowners. We approved almost \$11 billion in disaster loans to Americans affected by hurricanes Katrina, Rita, and Wilma.

Since being nominated, I have made five trips to the Gulf plus another six to SBA's disaster processing centers around the country. I have toured the devastated areas both here and in Mississippi and have looked into the eyes of many as they told their stories of hardship. In fact, last night I met with local borrowers in a two-hour feedback session.

I have spent much of these first five months working alongside my team to reengineer SBA's lending operation to make it dramatically more responsive and supportive to the borrowers. This summer, we were facing severe backlogs – many lasting months. There was no point of accountability to the borrower and poor quality.

In September, we fully redesigned our process to provide each borrower with a relationship manager, changing our work flow from a production line with inadequate coordination and communication to 15 person integrated teams with much greater authority to make decisions and manage accountability for results, and instituted much tighter tracking and management of outcomes. We moved 1,300 staff to support this process and contacted 94,000 borrowers in the Gulf to reestablish those relationships. We reduced our backlogs by about 85 percent – we are basically caught up, reduced our response time by almost 80 percent, and are now working to help people with issues once considered outside our purview.

SBA has also been busy on the ground helping small business owners get their lives back through counseling and lending support and helping entrepreneurs access much needed revenue from the government rebuilding efforts taking place.

In disasters like this, the small businesses are hardest hit. Their physical plant is in the disaster area, as are their employees and their customers. Small business owners also are caring for their families at the same time they are for their business. They don't have just a branch or a district office in the disaster zone, they have everything there.

Small businesses are committed to their communities and to rebuilding them when they are damaged. They take risks others won't take, they work around the clock, and as I often say, they match every dollar of equity with \$10 of sweat equity. They are essential to this city getting back on its feet and essential to underserved communities across the country seeing a better tomorrow.

- I talk a lot about communities.
- Communities are where we live.
- They are where we raise our children and see their surroundings shape them.
- Communities are the heart of who we are as a country—they are for each of us *our* America.
- And they are where we see the hope of a vibrant, free society become a reality....or not.

Despite a stock market at record level, low unemployment, and near-historic home ownership rates, many today remain trapped in communities that have not shared in the prosperity. Though a rising tide is lifting most boats, a significant fraction of America has struggled to stay afloat. Some rural communities have struggled to adapt to a changing marketplace and urban neighborhoods suffer from social pathologies that have made investors skittish about buying into those areas, while government programs and underperforming schools have not made enough progress to alter the equation for the next generation.

The ownership society agenda centers on encouraging individual initiative and risk taking by reducing legal and economic disincentives. From reducing tax penalties on investing to pushing for lawsuit reform and opening new markets abroad, the President's agenda has been designed to encourage and extend economic growth.

Combined with wide-spread home ownership and continued small business growth, the ownership society is expanding. But it requires ongoing prosperity and creativity to succeed, which is where small business comes in. Small business' power in our economy is clear: we have seen more than seven million new American jobs created in just over three years, more than all the other industrialized nations combined. Seventy percent were created by small business.

I believe small business ownership is the strongest enabler of community transformation we have, and it may be our country's strongest bridge to opportunity for Americans of all backgrounds.

And for that reason, it should be the goal of our economic policy to keep that bridge open, expansive, and sturdy.

So, I am thrilled to be here with because I believe driving successful, sustainable business formation into underserved markets can absolutely change the game for millions of Americans, and the HUBZone program is a key to energizing those businesses.

I believe that we can change this game by encouraging businesses to locate in underserved markets and giving those businesses a boost by opening the door to government contracts that would otherwise not be granted.

The HUBZone Program provides much needed revenue, and jobs, to businesses in these areas, and is an important tool we have to support our efforts to invigorate entrepreneurship in underserved markets, both rural and urban. Two very different situations – both benefiting from a similar solution.

The dual urban/rural focus of HUBZones is something I can relate to quite well. I grew up in southern Wisconsin, with a corn field bordering my back yard, farms on three sides of my high school, and many people making it through life on a shoe string. Later in life, I lived over nine years in New York City, spending Saturdays with kids in the inner city and wondering what it would take to bring much needed opportunity and hope to families that had seen little of either one.

Nine years ago, the HUBZone Program was established to stimulate job creation and capital investment in underserved communities. Today, 75 million Americans – 1/4 of our country—live in areas designated as HUBZones.

The impact of HubZone firms, and thus the value of the program is clear. According to a survey completed last year, HUBZone firms now employ about 210,000 workers. And here's where it really gets impressive – nearly 65% -- that's almost 133,000 employees, reside in these underserved HUBZone areas.

And, as we know, it is not just about the numbers and the macro impact, it is about the stories of American that are affected and the people whose lives they in turn are affecting through employment and economic opportunity.

- Fifteen years ago, Craig Williams began a career in construction as a roofer at historic Independence Hall in Philadelphia. Today, as a HUBZone-certified business, Pride Enterprises, Inc., the company that Williams founded, employs 35 workers, supervises 28 construction projects, and revenues exceed \$12 million annually. His efforts earned him a 2005 SBA Minority Small Business Person of the Year Award.
- Ten years ago, Kurt Heckman—who is with us today—co founded, Sycamore US, which started with one contract and a few engineers, and today, has 15 contracts, nine customers and a staff of 100 people. They were the first HUBZone Company to win prime contracts with several agencies in the intelligence community, which has brought high paying jobs and excellent benefits to communities in and around Frederick, Maryland.
- Eight years ago, single mom Denise Christopher started CKB Enterprises, selling ethnic hair care products and equipment to salons and barbershops catering to the African-American community in Denver. The business grew from retail sales to wholesale sales expected to top \$1 million—all in less than eight years!

While the HUBZone Program still has a ways to go, I am encouraged by the progress we have seen in the program. In Fiscal Year 2002, contract dollars were \$1.7 billion and by 2005 that total rose to just over six billion—more than tripling in two years. The army has been critical to our seeing these results.

- Two years ago, in fiscal '04, the Department of Defense awarded \$3.1 billion in HUBZone contracts and the Army could proudly claim half that total as their own.

- Last fiscal year, 2005, the Department of the Army topped their previous accomplishment by awarding over \$2 billion in HUBZone contracts.
- And we are expecting that Army's FY06 results will sustain this trend to even greater levels of HUBZone contracting. I know that these results don't come easy, and they are due to your commitment and tenacity.

Personally, I am very encourage by the rate of growth in this number, but the fact remains that we are still not near the mandated 3 percent target. If we can keep the growth on this trajectory, however, we will be there soon.

I have heard many theories for why we haven't met the number, and I won't go into all of them. I do know that we need to continue to make it easier for federal contracting officers to find and consider HubZone firms and give our PCRs the tools to do this work more effectively as well.

We plan to assist them in this regard. The SBA is developing a new tool that will assist HUBZone firms to identify future contracting opportunities as HUBZone set asides. This internet based tool will accomplish three objectives:

- It will conduct preliminary market research to identify possible HUBZone sources
- It will educate agency contracting officers regarding the legislative and regulatory criteria that mandate set asides and..
- formally request the set aside. This request will be coordinated with SBA PCRs and agency small business officials.

Our goal is for this tool to significantly increase the number of HUBZone set asides and thereby increase the number and overall value of contract awards to HUBZone firms.

We at the SBA are working very hard to be an agency that finds solutions for our customers and our partners that make it easier for them to use our services and support the programs we are charged with overseeing. I hope that some of the tools we are developing to support our contracting programs will be successful examples of that.

Let me turn now to a few announcements we made recently to improve the small businesses in the federal contracting arena, as well as the transparency and accuracy of contracting data reported.

Previously, the size of a business was determined at the time that a firm submitted its proposal for a contract and that classification was good for the life of the contract.

Under a revised regulation published recently, small businesses will be required to recertify their size status at the end of the first five years of a long-term contract, when a subsequent contract option is exercised, and when a small business is purchased or merged with another business, to ensure that small business contract awards are accurately reported.

In addition, the SBA, in cooperation with the OMB Office of Federal Procurement Policy, is using—for the first time—the Small Business Procurement Scorecard which is designed to collect and report the extent of small business participation in Federal contracting individually for 24 Federal agencies.

It will allow each agency to tell the full story of its small business achievement—not only by tracking and monitoring the status of each agency's small business goal achievement—but by measuring the progress it is making toward that achievement.

The Scorecard is modeled after, and will complement the one used to track the President's Management Agenda.

In late September, Administrator Paul A. Dennett of the Office of Federal Procurement Policy, and I, issued a memorandum requiring that agencies review their 2005 procurement data and identify any necessary changes to help eliminate confusion and inaccuracies in the database, we will be committed to achieving a much higher level of data integrity in future years.

The recertification requirement, coupled with making any changes identified by the review, will improve the accuracy of federal small business contract reporting and provide increased clarity in measuring agencies' effectiveness in meeting small business contracting goals.

Finally, I have directed the hiring of four additional procurement center representatives (PCR's) and am continuing the work with the Integrated Acquisition Environment to perfect an Electronic PCR (EPCR). An EPCR system would automatically forward any contract not set aside for small business to a PCR.

PCRs have front-line contracting assistance responsibilities, are stationed at major Federal acquisition activities, and review Federal requirements to ensure that small businesses have access to such opportunities under the legislated small business procurement preference programs.

We are committed to creating an environment where small businesses will flourish, and enter the federal marketplace as equal competitors, and we are taking actions to advance that objective.

This environment is created when agencies reduce contract bundling, consider a small business as part of their overall procurement strategy, and ensure all agency reporting is accurate and reliable.

HUBZone is not and can not be the only way in which we are committed to supporting entrepreneurship in underserved communities. SBA is also working to unleash that engine for change in our underserved communities through other initiatives.

- We are expanding our Community Express Pilot, which couples a guaranteed loan with much-needed training and targets businesses in distressed markets.
- We moved beyond the pilot stage in the Urban Entrepreneur Partnership program which is designed to work with local Urban Leagues to give inner city entrepreneurs a place to go to locate multiple forms of financial and technical support. There are now six sites, and we are working on a strategy to expand the program.
- We have added alternative work sites in rural areas of our country, where entrepreneurs have a difficult time finding access to the resources in more heavily populated areas. We will continue to evaluate the benefit of this strategy to see if we can or should open more such sites.
- We recently announced a pilot to allow Community Development Entities in the New Markets Tax Credit program to purchase SBA loans from lenders, thereby making those loans more financially attractive and freeing up capital for those banks to make more loans in distressed areas.



- And, I am in the midst of putting together a focused, committed effort to design a strategy for how we can use all of the tools available to us, and coordinate with other providers of services to entrepreneurs in these areas.

These initiatives are on top of the work we do every day providing important services to entrepreneurs across our country every day.

As I have said, strong communities are the foundation of a strong nation and small businesses are the underpinnings of that foundation. Together, we are helping to strengthen and expand the opportunities for entrepreneurs to bring their talents and ambitions to parts of our country that need them so much.

Thank you for inviting me. Thank you business owners for taking the risks you do as entrepreneurs.

I'd like to leave you with a word of encouragement from the famous architect, Daniel Burnham, who overcame tremendous obstacles to help put Chicago on the map over 100 years ago. He said, "Make no little plans. They have no magic to stir men's blood." That's a thought I know has special resonance in this room - entrepreneurs are the ones who make big plans, and work magic to turn them into reality.

Thank you.